

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE**

IN THE MATTER OF THE APPLICATION)	
OF DELMARVA POWER & LIGHT)	
COMPANY FOR APPROVAL OF)	PSC DOCKET NO. 15-1355
MODIFICATIONS TO ITS GAS)	
COST RATES (Filed August 27, 2015))	

PROPOSED SETTLEMENT

Delmarva Power & Light Company (“Delmarva” or the “Company”), the Delaware Public Service Commission Staff (“Staff”), and the Division of the Public Advocate (“DPA”), individually each a “Party,” and collectively, the “Parties,” hereby propose a complete settlement of all issues in this proceeding (“Proposed Settlement”) as follows.

I. INTRODUCTION AND PROCEDURAL BACKGROUND

1. On August 27, 2015, Delmarva filed an application (the “Application”) with the Delaware Public Service Commission (the “Commission”) to modify its Gas Cost Rate (“GCR”) factors effective for usage on and after November 1, 2015, with proration, as follows: (1) revise the GCR demand and commodity charge applicable to Service Classifications MVG and LVG; (2) revise the volumetrically applied GCR factors applicable to the RG, GG, GL, and non-electing MVG Service Classifications; (3) approve the proposed balancing charge for the November 2015 – October 2016 GCR period; and (4) approve changes to the Company’s tariff.

2. In its Application, Delmarva proposed the following rate adjustments:

Rate Schedules	Current	Proposed	Change
RG, GG, GL	53.563¢/ccf	39.467¢/ccf	(14.096)¢/ccf
LVG and MVG	N/A	\$1.7022/Mcf	N/A
LVG and MVG Demand	\$9.8132/Mcf of MDQ	N/A	N/A
Non-Electing MVG Commodity	\$3.5695/Mcf	\$2.2445/Mcf	(\$1.3250)/Mcf

3. If the GCR rates proposed in the Application were approved, residential space heating customers using 120 Ccf in a winter month would experience decreases of \$16.92, or 12.9%, in their total bill. Customers served on Service Classifications MVG and LVG would experience decreases ranging from 0.8% and 12.0% on their winter bills, depending on their load and usage characteristics. Customers served on Service Classification GG would experience decreases ranging from 5.9% to 16.3%.

4. On September 22, 2015, the Commission issued Order No.8785, allowing the GCR factors to become effective with usage on and after November 1, 2015, with proration, on a temporary basis and subject to refund, pending evidentiary hearings and a final decision by the Commission.

5. During the course of this proceeding, the Parties conducted written discovery in the form of both informal and formal data requests.

6. Additionally, throughout the year, as well as during the proceeding, the Parties met on several occasions to discuss various issues, including hedging, natural gas markets, capacity, and other issues related to the acquisition of natural gas supply for Delmarva's natural gas customers. The Parties intend to continue these meetings on a regular basis. Staff has also conducted monthly audits of Delmarva's GCR sales, revenues and costs.

7. The Parties have conferred and have agreed to enter into this Proposed Settlement on the terms and conditions contained herein because they believe that resolving the matter by stipulation will serve the public interest, while meeting the statutory requirement that rates be both just and reasonable. The Parties agree that the terms and conditions of this Proposed

Settlement will be presented to the Commission for its approval at the evidentiary hearing scheduled for March 22, 2016.

II. SETTLEMENT PROVISIONS

8. **GCR Rates:** The Parties agree that the proposed GCR rates filed by Delmarva in its Application should be approved as final, subject to true-up in Delmarva's 2016-17 GCR proceeding.

9. **Natural Gas Hedging Program:** The Parties agree that Delmarva will continue to execute its Gas Hedging Program in accordance with the Settlement approved in Docket No. 08-266F, and further agree to continue to hold quarterly hedge meetings to review and discuss the hedging program, and, upon consensus, make any potential modifications to the hedging program mechanics.

10. **Lost and Unaccounted for Gas (LAUF):** Pursuant to the requirements of the settlement agreement in Docket No. 14-0295F, the Company submitted a report on April 30, 2015 explaining and finalizing the results of the technical investigation into the cause of the Lost and Unaccounted for Gas ("LAUF") associated with serving a large volume gas customer, first identified as an issue in Docket No. 12-419F. Pursuant to the terms of the settlement agreement in Docket No. 12-419F (PSC Order No. 8397), the Company reduced the Deferred Fuel Balance in the GCR by \$2,000,000. In Docket No. 14-295F, pursuant to the terms of a settlement agreement, the Company agreed to credit the GCR an additional \$2,340,018, with interest, in the 2015-16 GCR (PSC Order No. 8767). In this docket, in compliance with Order No. 8767, the Company has credited the current GCR filing in the amount of \$2,758,730 for the LAUF adjustment. The GCR has now been reimbursed for the total amount determined to be due as a

result of the LAUF associated with serving a large volume gas customer and this issue is now resolved.

11. **Improving the GCR Process:** Pursuant to the requirements of the settlement agreement in Docket No. 14-0295F, the Parties developed a streamlined process for GCR filings which has been implemented in this docket.

12. **Demand Cost Allocation:** Pursuant to the settlement agreement in Docket No. 14-0295F, the Company has eliminated the separate allocation of demand costs to RG, GG and MVG customers.

13. **Protecting GCR Customers from Stranded Costs in the Event of Migration from Sales to Transportation Service.** In the 2016-17 GCR application, Delmarva will present and the Parties will address whether additional or modified measures are required to protect GCR customers from stranded costs associated with customer migration from sales to transportation service, including consideration of the Staff/DPA recommendation that Section U, Transition Charge, in Leaf 59 of Delmarva's gas tariff be deleted and replaced with the following language:

Notwithstanding any provisions to the contrary in the tariff provisions applicable to a firm sales customer taking service under the "LVG," "MVG," or "GG" service classifications that elects to transfer to transportation service, the customer is required to accept an assignment of the Company's firm interstate pipeline transportation capacity sufficient to meet the customer's maximum daily contract quantity ("MDQ"). The assigned capacity will be priced at the Company's weighted average cost of firm interstate pipeline transportation capacity.

14. **Capacity Reserve Margin.** Until such time as the Commission issues an order rendering its findings on the Company's 2016-17 GCR application, for purposes of determining whether there is sufficient natural gas supply and transmission capability to permit a non-core or transportation service customer to return to sales service, a reduction in the Company's projected

capacity reserve margin to two (2) percent and less would constitute a finding that inadequate capacity is available to permit the return of non-core or transportation service customers to sales service. Once the Commission issues its order rendering its findings in the 2016-17 GCR application, the provisions of this Paragraph 14 shall automatically become null and void and have no further force or effect.

15. **Additional Upstream Pipeline Capacity.** Until such time as the Commission issues an order rendering its findings on the Company's 2016-17 GCR application, the Company will not contract for additional upstream pipeline capacity or participate in a binding open season for such long-term capacity unless Staff and the DPA agree that the acquisition of additional capacity is reasonable. Furthermore, the Company's decision -making process for future increases in pipeline firm transportation capacity will continue to include a solicitation and evaluation of citygate-delivered peaking services. Once the Commission issues its order rendering its findings in the 2016-17 GCR application, the provisions of this Paragraph 15 shall automatically become null and void and have no further force or effect.

III. ADDITIONAL PROVISIONS

16. The provisions of this Proposed Settlement are not severable.

17. This Proposed Settlement represents a compromise for the purposes of settlement and shall not be regarded as a precedent with respect to any ratemaking or any other principle in any future case. No Party to this Proposed Settlement necessarily agrees or disagrees with the treatment of any particular item, any procedure followed, or the resolution of any particular issue in agreeing to this Proposed Settlement other than as specified herein, except that the Parties agree that the resolution of the issues herein taken as a whole results in just and reasonable rates.

18. To the extent opinions or views were expressed or issues were raised in the pre-filed testimony that are not specifically addressed in this Proposed Settlement, no findings, recommendations, or positions with respect to such opinions, views or issues should be implied or inferred.

19. The Parties agree that this Proposed Settlement will be submitted to the Commission for a determination that it is in the public interest and that no Party will oppose such a determination. Except as expressly set forth herein, none of the Parties waives any rights it may have to take any position in future proceedings regarding the issues in this proceeding, including positions contrary to positions taken herein or in previous cases.

20. This Proposed Settlement will become effective upon the Commission's issuance of a final order approving it and all of its terms and conditions without modification. After the issuance of such final order, the terms of this Proposed Settlement shall be implemented and enforceable notwithstanding the pendency of a legal challenge to the Commission's approval of this Proposed Settlement or to actions taken by another regulatory agency or Court, unless such implementation and enforcement is stayed or enjoined by the Commission, another regulatory agency, or a Court having jurisdiction over the matter.

21. The obligations under this Proposed Settlement, if any, that apply for a specific term set forth herein shall expire automatically in accordance with the term specified and shall require no further action for their expiration.

22. The Parties may enforce this Proposed Settlement through any appropriate action before the Commission or through any other available remedy. Any final Commission order related to the enforcement or interpretation of this Proposed Settlement shall be appealable to the

Superior Court of the State of Delaware, in addition to any other available remedy at law or in equity.

23. If a Court grants a legal challenge to the Commission's approval of this Proposed Settlement and issues a final non-appealable order that prevents or precludes implementation of any material term of this Proposed Settlement, or if some other legal bar has the same effect, then this Proposed Settlement is voidable upon written notice by any Party to the other Parties.

21. This Proposed Settlement resolves all of the issues specifically addressed herein and precludes the Parties from asserting contrary positions during subsequent litigation in this proceeding or related appeals; provided, however, that this Proposed Settlement is made without admission against or prejudice to any factual or legal positions which any of the Parties may assert (a) if the Commission does not issue a final order approving this Proposed Settlement without modifications; or (b) in other proceedings before the Commission or another governmental body so long as such positions do not attempt to abrogate this Proposed Settlement. This Proposed Settlement is determinative and conclusive of all of the issues addressed herein and, upon approval by the Commission, shall constitute a final adjudication as to the Parties of all of the issues in this proceeding.

24. This Proposed Settlement is expressly conditioned upon the Commission's approval of all of the specific terms and conditions contained herein without modification. If the Commission fails to grant such approval, or modifies any of the terms and conditions herein, this Proposed Settlement will terminate and be of no force and effect, unless the Parties agree in writing to waive the application of this provision. The Parties will make their best efforts to support this Proposed Settlement and to secure its approval by the Commission.

25. It is expressly understood and agreed that this Proposed Settlement constitutes a negotiated resolution of the issues in this proceeding.

26. This Proposed Settlement may be executed in two or more counterparts, each of which together shall be deemed an original, but all of which together shall constitute one and the same instrument. If any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the person or entity executing it (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

IN WITNESS WHEREOF, intending to bind themselves and their successors and assigns, the undersigned Parties have caused this Proposed Settlement to be signed by their duly-authorized representatives.

DELAWARE PUBLIC SERVICE COMMISSION STAFF

By: _____

Date: _____

DELMARVA POWER & LIGHT COMPANY

By: _____

Date: _____

DIVISION OF THE PUBLIC ADVOCATE

By: _____

Date: _____